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CHAPTER-2 | Theory Of Consumer Behaviour

QUIZ PART-05

1. **Demand in economics refers to**
   A. The maximum production of goods possible in an economy
   B. The willingness and ability of a consumer to buy a commodity at a given price
   C. Only the desire to buy goods irrespective of ability to pay
   D. The total supply of goods available in the market (D)

Explanation : Demand is defined as the quantity of a commodity a consumer is both willing and able to purchase at a given price.

2. **Which of the following is not a determinant of demand?**
   A. Price of the commodity B. Consumer's income
   C. Weather conditions only
   D. Price of related goods (C)

Explanation : Demand is influenced by price, related goods, income, tastes, preferences, and expectations—not solely weather.

3. **The law of demand states that**
   A. Price and demand move in the same direction
   B. Price and demand move inversely, ceteris paribus
   C. Demand remains unchanged regardless of price
   D. Price determines supply, not demand (B)

Explanation : The law of demand establishes an inverse relation between price and quantity demanded, other factors remaining constant.

4. **Which of the following goods violates the law of demand?**
   A. Normal goods B. Giffen goods
   C. Complementary goods
   D. Substitution goods (B)

Explanation : Giffen goods are exceptions where demand rises with price, contradicting the law of demand.

5. **A rightward shift of the demand curve for a normal good can result from**
   A. Increase in consumer income
   B. Decrease in consumer income
   C. Rise in the price of the commodity itself
   D. Decline in consumer preference for the good (A)

Explanation : For normal goods, higher income increases demand, shifting the demand curve to the right.

6. **For inferior goods, an increase in income leads to**
   A. Increase in demand
   B. Decrease in demand
   C. No change in demand
   D. Constant demand at all prices (B)

Explanation : Inferior goods show an inverse relationship with income—higher income reduces their demand.

7. **Which of the following best describes the substitution effect?**
   A. Consumers buy less when price falls
   B. Consumers substitute cheaper goods for costlier ones
   C. Consumers buy more luxury goods when income rises
   D. Producers change input combinations (B)

Explanation : The substitution effect occurs when a fall in price makes a good cheaper, leading consumers to buy more of it instead of substitutes.

8. **A movement along the demand curve occurs due to**
   A. Change in income of the consumer
   B. Change in price of the commodity itself
   C. Change in consumer preferences
   D. Change in population (B)

Explanation : Movement along the demand curve is solely caused by changes in the price of the commodity.

9. **Market demand differs from individual demand because**
   A. It represents demand by a single consumer
   B. It is a horizontal summation of all individual demand curves
   C. It slopes upward unlike individual demand
   D. It shows only aggregate supply (B)

Explanation : Market demand is obtained by adding the demand of all consumers at different price levels, making it flatter.

10. **Which factor can cause a leftward shift in the demand curve of a commodity?**
    A. Fall in consumer income (for normal goods)
    B. Rise in consumer income (for normal goods)
    C. Fall in the price of substitutes
    D. Increase in population (A)

Explanation : A fall in income reduces demand for normal goods, shifting the curve leftward.

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